

FREMONT COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Fremont Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Larry Crosby	President	2006
Bryan Archer	Vice President	2005
Sherri Baxter	Board Member	2005
Diane Darland	Board Member	2007
Gary Mitterer	Board Member	2007
Board of Education (After September 2005 Election)		
Larry Crosby	President	2006
Bryan Archer	Vice President	2008
Diane Darland	Board Member	2007
Gary Mitterer	Board Member	2007
Melissa Gingrich	Board Member	2008
School Officials		
Dr. Dean Cook	Superintendent	2006
Amie Riley	District Secretary (Resigned)	2006
Nancy Rutledge	District Secretary (Appointed)	2006
Brian Gruhn	Attorney	2006

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Fremont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Fremont Community School District, Fremont Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Fremont Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2006 on our consideration of the Fremont Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fremont Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nolte Cornman & Johnson EC
NOLTE, CORNMAN & JOHNSON, P.C.

December 6, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fremont Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$1,481,158 in fiscal 2005 to \$1,746,000 in fiscal 2006, while General Fund expenditures increased from \$1,537,877 in fiscal 2005 to \$1,812,110 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$116,724 in fiscal 2005 to a balance of \$50,964 in fiscal 2006.
- The increase in General Fund revenues was attributable to an increase in state and tuition revenues in fiscal 2006. The increase in expenditures can be attributed to the regular instruction and administrative services functional areas.
- An increase in interest rates during the past fiscal year resulted in interest earnings in the General Fund to increase from \$7,491 in fiscal year 2005 to \$8,332 in fiscal year 2006.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Fremont Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Fremont Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Fremont Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements. Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Fremont Community School District Annual Financial Report

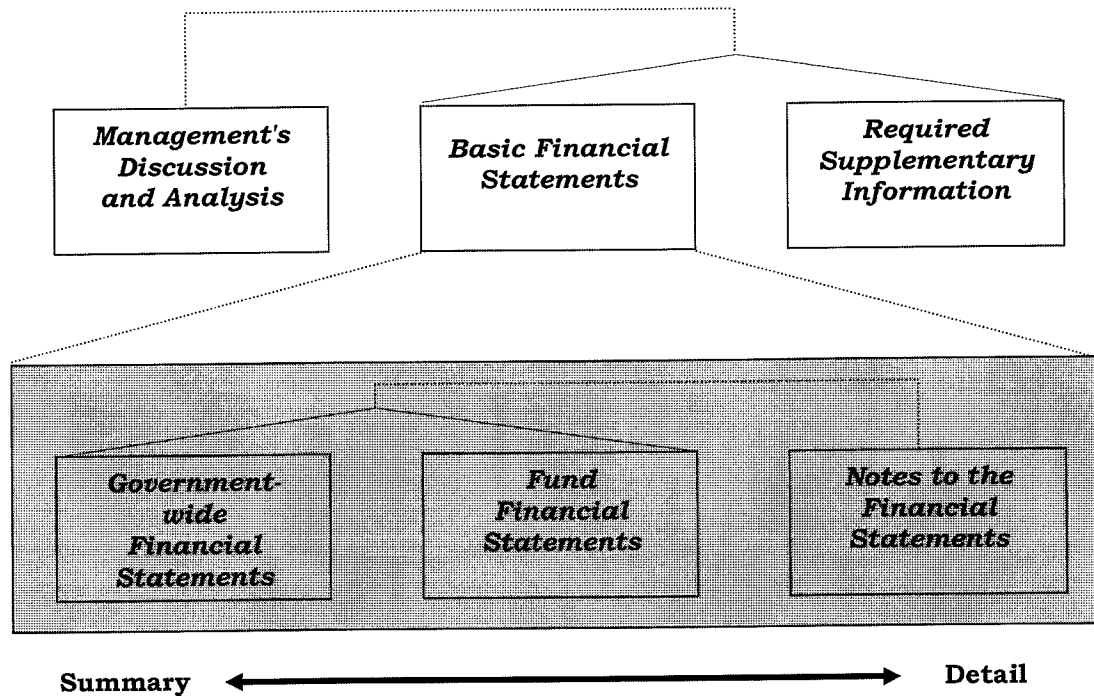


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects, and Debt Service Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Day Care Fund.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 1,313,178	1,054,206	75,033	60,634	1,388,211	1,114,840	24.52%
Capital assets	1,286,354	1,333,475	7,303	8,067	1,293,657	1,341,542	-3.57%
Total assets	2,599,532	2,387,681	82,336	68,701	2,681,868	2,456,382	9.18%
Long-term obligations	825,000	865,000	0	0	825,000	865,000	-4.62%
Other liabilities	933,160	627,301	699	0	933,859	627,301	48.87%
Total liabilities	1,758,160	1,492,301	699	0	1,758,859	1,492,301	17.86%
Net assets:							
Invested in capital assets, net of related debt	600,578	574,753	7,303	8,067	607,881	582,820	4.30%
Restricted	221,361	168,475	0	0	221,361	168,475	31.39%
Unrestricted	35,231	152,152	74,334	60,634	109,565	212,786	-48.51%
Total net assets	\$ 857,170	895,380	81,637	68,701	938,807	964,081	-2.62%

The District's combined net assets decreased by \$25,274, or 2.62% over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$52,886, or 31.39% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$103,221, or 48.51%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 278,847	100,301	142,015	98,066	420,862	198,367	112.16%
Operating grants and contributions and restricted interest	259,637	254,787	32,096	26,332	291,733	281,119	3.78%
General revenues:							
Property tax	640,327	599,999	0	0	640,327	599,999	6.72%
Local option sales and service tax	136,480	139,127	0	0	136,480	139,127	-1.90%
Unrestricted state grants	636,285	590,699	0	0	636,285	590,699	7.72%
Other	8,682	36,338	194	70,888	8,876	107,226	-91.72%
Total revenues	1,960,258	1,721,251	174,305	195,286	2,134,563	1,916,537	11.38%
Program expenses:							
Governmental activities:							
Instructional	1,282,254	1,136,643	0	0	1,282,254	1,136,643	12.81%
Support services	569,907	440,674	0	0	569,907	440,674	29.33%
Non-instructional programs	0	0	161,369	127,000	161,369	127,000	27.06%
Other expenses	146,307	151,600	0	0	146,307	151,600	-3.49%
Total expenses	1,998,468	1,728,917	161,369	127,000	2,159,837	1,855,917	16.38%
Change in net assets	(38,210)	(7,666)	12,936	68,286	(25,274)	60,620	-141.69%
Net assets beginning of year	895,380	903,046	68,701	415	964,081	903,461	6.71%
Net assets end of year	\$ 857,170	895,380	81,637	68,701	938,807	964,081	-2.62%

In fiscal 2006, property tax and unrestricted state grants account for 65.1% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$2.13 million of which \$1.96 million was for governmental activities and less than \$0.17 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an 11.38% increase in revenues and a 16.38% increase in expenses. Charges for services increased \$222,495 and unrestricted state grants increased \$45,586 to fund increases in expenditures. The increase in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$1,960,258 and expenses were \$1,998,468.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 1,282,254	796,238
Support services	569,907	569,907
Other expenses	162,105	93,839
Totals	<u>\$ 2,014,266</u>	<u>1,459,984</u>

- The cost financed by users of the District's programs was \$278,847.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$259,637.
- The net cost of governmental activities was financed with \$640,327 in local tax, \$136,480 in local option sales and service tax, \$636,285 in unrestricted state grants, and \$8,332 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$174,305 and expenses were \$161,369. The District's business-type activities include the School Nutrition Fund and the Day Care Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Fremont Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$367,199 lower than last year's ending fund balances of \$399,429.

Governmental Fund Highlights

- The District's deteriorating General Fund financial position is the product of many factors. Increases in state grants caused the increase in revenues. The increase in revenues did not offset the increase in expenditures resulting in a General Fund balance decrease of \$65,760.
- The Management, and Activity Fund combined balance decreased from \$109,690 in 2005, to \$94,746 in 2006.
- The Physical Plant and Equipment Levy (PPEL) fund balance increased from \$58,785 to \$78,693 in fiscal 2006 due to decreased expenditures when compared to fiscal 2005.

- The Capital Projects fund balance increased from \$114,230 in fiscal 2005 to 142,796 in fiscal 2006 primarily because of the smaller transfer from Capital Projects to the Debt Service Fund to pay long term debt for the District as well as a decrease in expenditures.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$8,067 at June 30, 2005 to \$7,303 at June 30, 2006 because of depreciation expense. This represents a decrease of approximately 9.1%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$237,913 more than budgeted revenues, a variance of less than 12.3%. The most significant variance resulted from the District receiving more in federal sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. However, during the year ended June 30, 2006, the District exceeded budgeted amounts in the support services functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$1,309,455, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.8% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$48,717.

The original cost of the District's capital assets was \$1,966,153. Governmental funds account for \$1,957,613 with the remainder of \$9,170 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings category. The District's improvements other than buildings totaled \$19,167 at June 30, 2006 compared to \$3,468 at June 30, 2005. The increase is attributable to the resurfacing of the tennis courts and the new concrete poured for the playground.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 27,500	27,500	0	0	27,500	27,500	0.0%
Buildings	1,158,034	1,189,349	0	0	1,158,034	1,189,349	-2.6%
Improvements other than buildings	19,167	3,468	0	0	19,167	3,468	452.7%
Machinery and equipment	97,451	113,158	7,303	8,067	104,754	113,158	-7.4%
Total	\$ 1,302,152	1,333,475	7,303	8,067	1,309,455	1,333,475	-1.8%

Long-Term Debt

At June 30, 2006, the District had long-term debt outstanding of \$825,000 in general obligation bonds. This represents a decrease of approximately 4.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2006	2005	
General obligation bonds	\$ 825,000	865,000	-4.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

- The increase of 20.9 students to the District for fiscal 2006 provided a boost to General Fund revenues. If the District can maintain or possibly increase enrollment over the following years, this will definitely help the District to maintain stability.
- The daycare facilities the District has is a definite asset to drawing more students to the District and increasing revenues. Hopefully, this trend will continue to maintain the health of the District.
- For the year ended June 30, 2006, the District issued refunding debt to lower debt payments over the next 10 years by \$57,676.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy Rutledge, Business Manager/Board Secretary, Fremont Community School District, 525 East Main Street, Fremont, Iowa, 52561.

BASIC FINANCIAL STATEMENTS

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 511,360	50,914	562,274
Receivables:			
Property tax:			
Delinquent	9,195	0	9,195
Succeeding year	677,432	0	677,432
Income surtax	32,189	0	32,189
Accounts	1,031	23,640	24,671
Due from other governments	80,879	0	80,879
Prepaid items	1,092	0	1,092
Inventories	0	479	479
Capital assets, net of accumulated depreciation (Note 5)	1,302,152	7,303	1,309,455
TOTAL ASSETS	2,615,330	82,336	2,697,666
LIABILITIES			
Accounts payable	18,978	699	19,677
Salaries and benefits payable	97,958	0	97,958
Due to other governments	119,422	0	119,422
Interest payable	19,370	0	19,370
Deferred revenue:			
Succeeding year property tax	677,432	0	677,432
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	65,000	0	65,000
Portion due after one year:			
General obligation bonds payable	760,000	0	760,000
TOTAL LIABILITIES	1,758,160	699	1,758,859
NET ASSETS			
Investment in capital assets, net of related debt	600,578	7,303	607,881
Restricted for:			
Teacher compensation	325	0	325
Early intervention	5,756	0	5,756
Talented and gifted	6,267	0	6,267
Management	54,814	0	54,814
Physical plant and equipment levy	114,267	0	114,267
Other special revenue purposes	39,932	0	39,932
Unrestricted	35,231	74,334	109,565
TOTAL NET ASSETS	\$ 857,170	81,637	938,807

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,065,607	269,365	197,726	(598,516)	0	(598,516)
Special instruction	174,150	9,482	9,443	(155,225)	0	(155,225)
Other instruction	42,497	0	0	(42,497)	0	(42,497)
	1,282,254	278,847	207,169	(796,238)	0	(796,238)
Support services:						
Student services	16,900	0	0	(16,900)	0	(16,900)
Instructional staff services	38,360	0	0	(38,360)	0	(38,360)
Administration services	278,799	0	0	(278,799)	0	(278,799)
Operation and maintenance of plant services	158,160	0	0	(158,160)	0	(158,160)
Transportation services	77,688	0	0	(77,688)	0	(77,688)
	569,907	0	0	(569,907)	0	(569,907)
Other expenditures:						
Facilities acquisitions	2,261	0	0	(2,261)	0	(2,261)
Long-term debt interest and fiscal charges	59,332	0	0	(59,332)	0	(59,332)
AEA flowthrough	52,468	0	52,468	0	0	0
Depreciation (unallocated)*	32,246	0	0	(32,246)	0	(32,246)
	146,307	0	52,468	(93,839)	0	(93,839)
Total governmental activities	1,998,468	278,847	259,637	(1,459,984)	0	(1,459,984)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	54,963	25,031	32,096	0	2,164	2,164
Daycare	106,406	116,984	0	0	10,578	10,578
Total business-type activities	161,369	142,015	32,096	0	12,742	12,742
Total	\$ 2,159,837	420,862	291,733	(1,459,984)	12,742	(1,447,242)
General Revenues:						
Local tax for:						
General purposes				\$ 595,012	0	595,012
Capital outlay				45,315	0	45,315
Local option sales and services				136,480	0	136,480
Unrestricted state grants				636,285	0	636,285
Unrestricted investment earnings				8,332	194	8,526
Gain on sale of assets				350	0	350
Total general revenues				1,421,774	194	1,421,968
Changes in net assets				(38,210)	12,936	(25,274)
Net assets beginning of year				895,380	68,701	964,081
Net assets end of year				\$ 857,170	81,637	938,807

* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Physical Plant & Equipment Levy	Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and pooled investments	\$ 185,236	114,833	113,557	97,734	511,360
Receivables:					
Property tax					
Delinquent	8,185	701	0	309	9,195
Succeeding year	619,775	47,657	0	0	667,432
Income surtax	32,189	0	0	0	32,189
Accounts	1,031	0	0	0	1,031
Due from other funds	35,574	0	0	0	35,574
Due from other governments	51,640	0	29,239	0	80,879
Prepaid items	1,092	0	0	0	1,092
TOTAL ASSETS	\$ 934,722	163,191	142,796	98,043	1,337,660
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 14,414	1,267	0	3,297	18,978
Salaries and benefits payable	97,958	0	0	0	97,958
Due to other governments	119,422	0	0	0	119,422
Due to other funds	0	35,574	0	0	35,574
Deferred revenue:					
Succeeding year property tax	619,775	47,657	0	0	667,432
Income surtax	32,189	0	0	0	32,189
Total liabilities	883,758	84,498	0	3,297	971,553
Fund balances:					
Reserved for:					
Teacher compensation	325	0	0	0	325
Early intervention	5,756	0	0	0	5,756
Talented and gifted	6,267	0	0	0	6,267
Unreserved:	38,616	78,693	142,796	94,746	354,851
Total fund balances	50,964	78,693	142,796	94,746	367,199
TOTAL LIABILITIES AND FUND BALANCES	\$ 934,722	163,191	142,796	98,043	1,338,752

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances of governmental funds (page 15)	\$ 367,199
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,302,152
Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(19,370)
Long-term liabilities, including bonds payable and early retirement are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(825,000)
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	<u>32,189</u>
Net assets of governmental activities (page 13)	<u><u>\$ 857,170</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General	Physical Plant & Equipment Levy	Capital Projects	Debt Service	Other Governmental Funds	Total
REVENUES:						
Local sources:						
Local tax	\$ 578,293	45,315	136,480	0	19,958	780,046
Tuition	139,554	0	0	0	0	139,554
Other	138,921	1,055	0	0	14,299	154,275
State sources	780,447	28	0	0	12	780,487
Federal sources	108,785	0	0	0	0	108,785
Total revenues	1,746,000	46,398	136,480	0	34,269	1,963,147
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	1,063,887	0	0	0	0	1,063,887
Special instruction	174,150	0	0	0	0	174,150
Other instruction	29,958	0	0	0	12,539	42,497
	1,267,995	0	0	0	12,539	1,280,534
Support services:						
Student services	16,900	0	0	0	0	16,900
Instructional staff services	38,360	0	0	0	0	38,360
Administration services	241,912	0	0	20,000	16,013	277,925
Operation and maintenance of plant services	133,492	7,599	0	0	16,881	157,972
Transportation services	60,983	0	0	0	3,780	64,763
	491,647	7,599	0	20,000	36,674	555,920
Other expenditures:						
Facilities acquisitions	0	18,891	0	0	0	18,891
Long-term debt:						
Principal	0	0	0	60,000	0	60,000
Interest and fiscal charges	0	0	0	47,914	0	47,914
AEA flowthrough	52,468	0	0	0	0	52,468
	52,468	18,891	0	107,914	0	179,273
Total expenditures	1,812,110	26,490	0	127,914	49,213	2,015,727
Excess(deficiency) of revenues over(under) expenditures	(66,110)	19,908	136,480	(127,914)	(14,944)	(52,580)
OTHER FINANCING SOURCES(USES):						
Operating transfer in	0	0	0	107,914	0	107,914
Operating transfer out	0	0	(107,914)	0	0	(107,914)
Refunding debt issued	0	0	0	760,000	0	760,000
Payment to escrow agent	0	0	0	(740,000)	0	(740,000)
Sale of equipment	350	0	0	0	0	350
TOTAL OTHER FINANCING SOURCES(USES)	350	0	(107,914)	127,914	0	20,350
Net change in fund balances	(65,760)	19,908	28,566	0	(14,944)	(32,230)
Fund balance beginning of year	116,724	58,785	114,230	0	109,690	399,429
Fund balance end of year	\$ 50,964	78,693	142,796	0	94,746	367,199

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ (32,230)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital expenditures in the current year, as follows:

Capital expenditures	\$ 16,630	
Depreciation expense	<u>(47,953)</u>	(31,323)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ (760,000)	
Repaid	<u>800,000</u>	40,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(11,418)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

(3,239)

Changes in net assets of governmental activities (page 14)

\$ (38,210)

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	School Nutrition	Day Care	Total
ASSETS			
Cash and cash equivalents	\$ 17,113	33,801	50,914
Accounts receivable	0	23,640	23,640
Inventories	479	0	479
Capital assets, net of accumulated depreciation	7,303	0	7,303
TOTAL ASSETS	24,895	57,441	82,336
LIABILITIES			
Accounts payable	0	699	699
NET ASSETS			
Invested in capital assets, net of related debt	7,303	0	7,303
Unrestricted	17,592	56,742	74,334
TOTAL NET ASSETS	\$ 24,895	56,742	81,637

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2006

	School Nutrition	Day Care	Total
OPERATING REVENUE:			
Local sources:			
Other local sources:			
Sale of lunches and breakfasts:			
Students	\$ 23,101	0	23,101
Adults	962	0	962
A la carte	0	0	0
Miscellaneous	968	116,984	117,952
TOTAL OPERATING REVENUES	25,031	116,984	142,015
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	22,716	85,273	107,989
Benefits	3,202	11,000	14,202
Services	40	1,752	1,792
Supplies	28,241	8,381	36,622
Depreciation	764	0	764
TOTAL OPERATING EXPENSES	54,963	106,406	161,369
OPERATING GAIN(LOSS)	(29,932)	10,578	(19,354)
NON-OPERATING REVENUES:			
Interest income	0	194	194
State sources	815	0	815
Federal sources	31,281	0	31,281
TOTAL NON-OPERATING REVENUES	32,096	194	32,290
Net income	2,164	10,772	12,936
Net assets at beginning of year	22,731	45,970	68,701
Net assets end of year	\$ 24,895	56,742	81,637

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2006

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 29,211	(22,743)	6,468
Cash received from miscellaneous operating activities	968	116,984	117,952
Cash payments to employees for services	(25,918)	(96,273)	(122,191)
Cash payments to suppliers for goods or services	(25,566)	(9,434)	(35,000)
Net cash used in operating activities	(21,305)	(11,466)	(32,771)
Cash flows from non-capital financing activities:			
State grants received	815	0	815
Federal grants received	28,214	0	28,214
Net cash provided by non-capital financing activities	29,029	0	29,029
Cash flows from investing activities:			
Interest on investments	0	194	194
Net increase(decrease) in cash and cash equivalents	7,724	(11,272)	(3,548)
Cash and cash equivalents at beginning of year	9,389	45,073	54,462
Cash and cash equivalents at end of year	\$ 17,113	33,801	50,914
Reconciliation of operating gain(loss) to net cash used in operating activities:			
Operating gain(loss)	\$ (29,932)	10,578	(19,354)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Commodities consumed	3,067	0	3,067
Depreciation	764	0	764
Increase in inventories	(352)	0	(352)
(Increase)Decrease in accounts receivables	5,148	(22,743)	(17,595)
Increase in accounts payable	0	699	699
Net cash used in operating activities	\$ (21,305)	(11,466)	(32,771)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 17,113	33,801	50,914

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$3,067.

SEE NOTES TO FINANCIAL STATEMENTS.

FREMONT COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

(1) Summary of Significant Accounting Policies

The Fremont Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through eight and special education pre-kindergarten. The geographic area served includes the City of Fremont, Iowa, and the predominate agricultural territory in Keokuk, Mahaska, and Wapello Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Fremont Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Fremont Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is a no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the district's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition of capital facilities.

The Physical Plant and Equipment Levy Fund (PPEL) is used for maintenance and operation of the District's buildings and for purchase of certain items of equipment.

The District's proprietary funds include the School Nutrition Fund and the School Day Care Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Day Care Fund is used to account for child care services for the District.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	25-50 years
Improvements other than buildings	20 years
Machinery and equipment	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in bank at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the district had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 198,634

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
General	Physical Plant and Equipment Levy	\$ 35,574

(4) Transfers

The detail of transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 107,914

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	27,500	0	0	27,500
Total capital assets not being depreciated	27,500	0	0	27,500
Capital assets being depreciated:				
Buildings	1,662,733	0	0	1,662,733
Improvements other than buildings	3,963	16,630	0	20,593
Machinery and equipment	273,495	0	26,708	246,787
Total capital assets being depreciated	1,940,191	16,630	26,708	1,930,113
Less accumulated depreciation for:				
Buildings	473,384	31,315	0	504,699
Improvements other than buildings	495	931	0	1,426
Machinery and equipment	160,337	15,707	26,708	149,336
Total accumulated depreciation	634,216	47,953	26,708	655,461
Total capital assets being depreciated, net	1,305,975	(31,323)	0	1,274,652
Governmental activities capital assets, net	\$ 1,333,475	(31,323)	0	1,302,152

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 9,170	0	0	9,170
Less accumulated depreciation	1,103	764	0	1,867
Business-type activities capital assets, net	\$ 8,067	(764)	0	7,303

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 1,720
Support services:	
Administration staff	874
Operation and maintenance of plant services	188
Transportation	12,925
	<u>15,707</u>
Unallocated depreciation	<u>32,246</u>
Total governmental activities depreciation expense	<u>\$ 47,953</u>
Business-type activities:	
Food services	<u>\$ 764</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 865,000	760,000	800,000	825,000	65,000

General Obligation Bonds Payable

Details of the District's June 30, 2006 General Obligation bonds indebtedness is as follows:

Year Ending June 30,	Interest Rate		Bond issue October 23, 1998		
			Principal	Interest	Total
2007	5.20	% \$	65,000	44,652	109,652
<hr/>					
Year Ending June 30,	Interest Rate		Bond issue February 1, 2006		
			Principal	Interest	Total
2007	-	% \$	-	35,784	35,784
2008	3.40		80,000	28,627	108,627
2009	3.50		80,000	25,907	105,907
2010	3.60		85,000	23,107	108,107
2011	3.70		85,000	20,048	105,048
2012	3.80		90,000	16,903	106,903
2013	3.90		95,000	13,483	108,483
2014	3.95		95,000	9,778	104,778
2015	4.05		100,000	6,025	106,025
2016	4.00		50,000	2,025	52,025
Total			\$ 760,000	181,687	941,687
Total			\$ 825,000	226,339	1,051,339

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$44,799, \$42,776, and \$40,798, respectively, equal to the required contributions for each year.

(8) Risk Management

The District is a member in the Iowa School Employee Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides dental coverage for employees of the District. The District's contributions to ISEBA for the year ended June 30, 2006 totaled \$3,136.

Fremont Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$52,468 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Bond Defeasement

On February 23, 2006, the District issued \$760,000 in general obligation bonds to advance refund \$740,000 of outstanding general obligation bonds dated May 1, 1997. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified sufficient to pay all principal and interest on the refunded bonds. The new advance refunding bonds have been added to the appropriate financial statement and schedules. The District remains contingently liable in the remote possibility the account is insufficient to pay the

refunding bonds. At June 30, 2006, \$760,000 of such bonds is outstanding. The escrow fund pays interest on the new advance refunding bonds until that time. Defeasement of principal and interest for the year was \$0 and \$0. The present value savings of this bond refunding is \$40,477.

REQUIRED SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance -
						Positive
						(Negative)
Revenues:						
Local sources	\$ 1,073,875	142,209	1,216,084	1,056,241	1,056,241	159,843
State sources	780,487	815	781,302	807,872	807,872	(26,570)
Federal sources	108,785	31,281	140,066	71,000	71,000	69,066
Total revenues	1,963,147	174,305	2,137,452	1,935,113	1,935,113	202,339
Expenditures:						
Instruction	1,280,534	0	1,280,534	1,381,928	1,381,928	101,394
Support services	555,920	0	555,920	478,599	478,599	(77,321)
Non-instructional programs	0	161,369	161,369	194,083	194,083	32,714
Other expenditures	179,273	0	179,273	305,013	305,013	125,740
Total expenditures	2,015,727	161,369	2,177,096	2,359,623	2,359,623	182,527
Excess(deficiency) of revenues over(under) expenditures	(52,580)	12,936	(39,644)	(424,510)	(424,510)	384,866
Other financing sources, net	20,350	0	20,350	500	500	21,350
Excess(deficiency) of revenues and other financing sources over(under) expenditures	(32,230)	12,936	(19,294)	(424,010)	(424,010)	406,216
Balance beginning of year	399,429	68,701	468,130	429,010	429,010	39,120
Balance end of year	\$ 367,199	81,637	448,836	5,000	5,000	445,336

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private-Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the general Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

FREMONT COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2006

	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 57,745	39,989	97,734
Receivables:			
Property tax:			
Current year delinquent	309	0	309
TOTAL ASSETS	<u>\$ 58,054</u>	<u>39,989</u>	<u>98,043</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,240	57	3,297
TOTAL LIABILITIES	<u>3,240</u>	<u>57</u>	<u>3,297</u>
Unreserved fund balances	54,814	39,932	94,746
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 58,054</u>	<u>39,989</u>	<u>98,043</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2006

	Manage- ment Levy	Student Activity	Total
REVENUES:			
Local sources:			
Local tax	\$ 19,958	0	19,958
Other	0	14,299	14,299
State sources	12	0	12
TOTAL REVENUES	19,970	14,299	34,269
EXPENDITURES:			
Current:			
Instruction:			
Other instruction	0	12,539	12,539
Support services:			
Administration services	16,013	0	16,013
Operation and maintenance of plant services	16,881	0	16,881
Transportation services	3,780	0	3,780
TOTAL EXPENDITURES	36,674	12,539	49,213
Excess (deficiency) of revenues over (under) expenditures	(16,704)	1,760	(14,944)
Fund balance beginning of year	71,518	38,172	109,690
Fund balance end of year	\$ 54,814	39,932	94,746

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
ELP - Tag Activities	\$ 625	0	0	625
6th Grade Activities	(71)	0	0	(71)
7th Grade Activities	(1)	0	0	(1)
8th Grade Activities	0	150	195	(45)
Student Council	(364)	488	709	(585)
Yearbook	1,058	1,150	1,352	856
District - Wide Activities	25,549	946	1,349	25,146
Book Fair	(2,128)	3,900	4,070	(2,298)
Fundraiser	672	5	0	677
Sports	2,959	660	243	3,376
Cafeteria Benefits Plan	4,170	180	218	4,132
Afterschool	(95)	0	73	(168)
LIKE	5,798	1,059	1,256	5,601
Garden	0	79	10	69
MS Trip	0	3,678	1,758	1,920
Resale	0	291	102	189
Blue Jean	0	454	161	293
Fund Balance	0	1,259	1,043	216
Total	\$ 38,172	14,299	12,539	39,932

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

FREMONT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FOUR YEARS

Modified Accrual Basis				
Years Ended June 30,				
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 780,046	735,887	765,780	807,701
Tuition	139,554	68,310	75,534	77,996
Other	154,275	63,733	60,527	35,454
Intermediate sources	0	4,596	0	0
State sources	780,487	729,875	691,071	720,808
Federal sources	108,785	115,611	36,541	69,757
Total	<u>\$ 1,963,147</u>	<u>1,718,012</u>	<u>1,629,453</u>	<u>1,711,716</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 1,063,887	947,368	920,401	768,102
Special instruction	174,150	172,113	254,925	230,408
Other instruction	42,497	26,834	21,042	19,447
Support services:				
Student services	16,900	4,900	4,693	27,489
Instructional staff services	38,360	36,270	33,975	39,970
Administration services	277,925	152,025	184,048	183,450
Operation and maintenance of plant services	157,972	130,981	241,780	160,885
Transportation services	64,763	106,917	33,222	36,522
Non-instructional	0	0	18,568	0
Other expenditures:				
Facilities acquisitions	18,891	17,247	0	0
Long Term Debt:				
Principal	60,000	55,000	50,000	50,000
Interest	47,914	50,662	53,100	55,888
AEA flow-through	52,468	52,202	53,473	57,320
Total	<u>\$ 2,015,727</u>	<u>1,752,519</u>	<u>1,869,227</u>	<u>1,629,481</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over financial Reporting and on Compliance and Other Matters

Based on an Audit of Financial Statements performed in Accordance with Government Auditing Standards

To the Board of Education of the
Fremont Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fremont Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 6, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fremont Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item I-A-06 is a material weakness.

Compliance and Other Matters

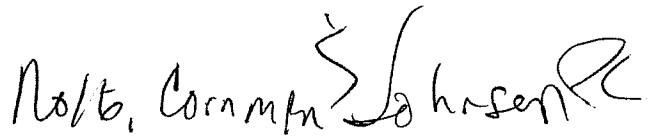
As part of obtaining reasonable assurance about whether Fremont Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing

an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Fremont School District and other parties to whom Fremont School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Fremont Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Nolte, Cornman & Johnson". The signature is stylized and cursive, with a large, prominent "J" for Johnson.

NOLTE, CORNMAN & JOHNSON, P.C.

December 6, 2006

FREMONT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

- I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, bank reconciliations, posting of cash receipts to the cash receipts journal, and payroll and payroll records are all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response -The District will review the policy and structure for possible adjustments in duties.

Conclusion -Response accepted.

- I-B-06 Accounting Records - There were numerous misclassifications noted in accounting records, both in fund and account codes. It was also noted that bank reconciliations were not completed in a timely manner.

Recommendation - The District must continue to make efforts in correcting problems with maintaining accounting records. The District should reconcile bank statement balances to financial statement bank balances on a monthly basis.

Response -The Board Secretary will monitor the account codes for accuracy. Bank reconciliations are being done on a monthly basis starting August 1, 2006.

Conclusion - Response accepted.

- I-C-06 Student Activity Fund - We noted during our audit that the Student Activity Fund had several negative account balances and contained a cafeteria plan account. It was also noted that Target donations were being receipted into the Activity Fund.

Recommendation - The District should monitor the negative Student Activity Fund accounts and investigate ways to eliminate the deficits in those accounts.

Transactions in the cafeteria account are more appropriately accounted for in an Internal Service Fund. The account is for employee withholdings which will be subsequently paid out for their benefit. Because this account does not appear to be cocurricular or extra curricular in nature it does not appear to meet the criteria of the Student Activity Fund. The District should transfer this account to an Internal Service Fund or include the account with the General Fund.

Donations made to a District should be placed in the most appropriate place based upon the donor request. Target donates to schools for materials and supplies. The most logical place to record the revenue and subsequent purchase would be the General Fund. The District should record future donations from Target in the General Fund.

Response - The Student Activity Fund was adjusted by Board action on October 17, 2006.

Conclusion - Response accepted.

I-D-06 Gate Admissions - The gate admissions were not reconciled to pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for gate admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the admissions to the number of tickets issued.

Response - Pre-numbered tickets will be used starting as of the date of this audit response.

Conclusion - Response accepted.

I-E-06 Authorized Check Signatures - We noted during our audit that checks written from the General Fund, Activity Fund, Nutrition Fund, and Day Care Fund were being signed by the Board President, but not always by the Board Secretary. We also noted instances in all four of the mentioned funds of checks clearing the bank with one signature.

Recommendation - The Board President and Board Secretary are required to sign all checks written by the District per Chapter 291.1 of the Code of Iowa. The Board President can, however, designate an individual other than himself to sign checks. The District should require the appropriate individuals sign all checks.

Response - Board action on September 19, 2006, specified required signatures. Bank Iowa also monitors each check presented for correct dual signatures.

Conclusion - Response accepted.

I-F-05 Purchase Orders - We noted during our audit that purchase orders in the General Fund were not always completely filled out. We noted instances of purchase orders not having dates on them, not showing what was to be purchased, at what price and not having the account number that was to be charged for the purchase. Also, during the audit, it was noted that 67% of General Fund disbursements, 67% of Activity Fund disbursements, and 47% of Day Care Fund disbursements tested did not have proper purchase order approval. Purchase orders are typically used to document approval prior to the purchase as well as documenting which account will be paying for the invoice.

Recommendation - The District should review procedures in place with regard to use of purchase orders, placing the order and subsequent payment. The District should require purchase orders be completed prior to ordering. With the proper use of purchase orders, the District can ensure that purchases are properly approved and authorized before purchasing.

Response - The District started using computer system originated purchase orders as of July 1, 2006.

Conclusion - Response accepted.

I-G-06 Timely Deposits - We noted during our audit that bank deposits were not done in a timely manner.

Recommendation - All receipts should be deposited when received. The District should review procedures to ensure that the deposits are made timely.

Response - The District will review the policy and structure for adjustments.

Conclusion - Response accepted.

I-H-06 Physical Plant and Equipment Levy (PPEL) Expenditures - According to Chapter 298.3 of the Code of Iowa, PPEL monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District purchased fifteen tables from the PPEL Fund for \$521, which is less than \$500 per single unit.

Recommendation - The District should review the Code of Iowa with regard to allowable expenditures from the PPEL Fund to avoid non compliance. The District should make a corrective transfer to the PPEL Fund from the General Fund.

Response - We have allowable equipment which was paid from the General Fund that would have qualified as PPEL Fund expenditures. We will transfer necessary expenditures to the PPEL Fund to the amount of the corrective transfer requested.

Conclusion - Response accepted.

FREMONT COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting:

- II-A-06 Certified Budget - District disbursements for the year ended June 30, 2006 exceeded the amount budgeted in the support services program area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The District will monitor this more closely and amend the budget in the future when needed to insure compliance.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Larry Crosby, Board President Owner of Super Wrench	Vehicle repairs and maintenance	\$2,856
Gary Mitterer, Board Member Owner of Country Store	School supplies	\$2,031
Dennis Paxton, Janitor	Snow removal	\$286

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Mr. Mitterer do not appear to represent a conflict of interest.

In accordance with the Attorney's General's opinion dated July 2, 1990, the above transaction with the Mr. Paxton does not appear to represent a conflict of interest.

In accordance with the Chapter 279.7A of the code of Iowa, the above transactions with Mr. Crosby appear to represent a conflict of interest.

Recommendation - The District should contact its legal counsel in regards to related party transactions with Mr. Crosby.

Response - The District will monitor this more closely and will take the recommendation under consideration.

Conclusion - Response accepted.

II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response – The Board Secretary will issue the minutes to the newspaper within two weeks as required by 279.35 of the Code of Iowa, however, we are unable to control the publishing dates.

Conclusion - Response accepted.

II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-06 Deficit Balances - Six individual accounts within the Student Activity Fund had deficit balances totaling \$3,168 at June 30, 2006.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - Account balances will be reviewed on a regular basis to eliminate deficits in the Activity Fund.

Conclusion - Response accepted.

